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ACTION EA-09

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TAGS: EGEN, AS

SUBJECT: ECONOMIC ASPECTS OF GOVERNOR GENERAL'S SPEECH AT
OPENING OF 30TH PARLIAMENT

REF: CANBERRA 0718

1. SUMMARY: IN TRADITIONAL SPEECH AT OPENING OF PARLIAMENT,
GOVERNOR-GENERAL, SIR JOHN KERR, ANNOUNCED SALIENT FACTORS OF
FRASER GOVERNMENT'S ECONOMIC POLICIES WHICH CONTAINED FEW NEW
ANNOUNCEMENTS, BUT BY AND LARGE REITERATED COMMITMENT MADE
DURING CAMPAIGN AND SUBSEQUENT ACTIONS. AS WAS TO BE EXPECTED,
SPEECH REFLECTED FRASER'S FREE ENTERPRISE, MONETARIST, SMALL-
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DECENTRALIZED-GOVERNMENT POINT OF VIEW. RESOURCES DEVELOPMENT

IS TO BE RESTORED TO "PROPER ROLE" IN ECONOMY AND OTHER COUNTRIES TO BE ASSURED OF RELIABILITY OF AUSTRALIAN MINING INDUSTRY. AUSTRALIA WILL ACTIVELY PROMOTE ITS ACCESS TO FOREIGN MARKETS AND ASSURE TRADING PARTNERS THAT IT STEADY AND RELIABLE PARTNER, ALTHOUGH NO REFERENCE MADE TO IMPROVED ACCESS TO AUSTRALIAN MARKETS. THE GOVERNMENT ACKNOWLEDGES CONTINUED RESPONSIBILITY FOR DEVELOPMENT OF PAPUA NEW GUINEA. ON DOMESTIC FRONT, FIRST CONSIDERATION IS TO CONTROL INFLATION. EMPHASIS PLACED ON NEED TO REDUCE BUDGET DEFICIT AND ON ECONOMY MEASURES ALREADY TAKEN. SPEECH ALSO CONTAINS OUTLINE OF MEASURES TAKEN TO REDUCE LIQUIDITY AND INCREASE INVESTMENT. COMMITMENT MADE TO BEGIN INTRODUCING TAX INDEXATION IN NEXT BUDGET, ALTHOUGH GOVERNMENT WARNS THAT GREATER THE DEGREE OF SUPPORT GIVEN ITS ECONOMIC PROGRAM, THE LARGER THE FIRST STEP CAN BE. SPEECH CONTAINED NO RPT NO MENTION WAGE INDEXATION, ALTHOUGH FRASER MADE COMMITMENT TO PRINCIPLE DURING CAMPAIGN. IN LONGER RUN, GOVERNMENT COMMITTED TO MAJOR REDIRECTION OF RESOURCES AWAY FROM CENTRAL GOVERNMENT TO PRIVATE INDIVIDUALS AND FREE ENTERPRISE, WITH MANY GOVERNMENTAL ACTIVITIES BEING DIVERTED TO STATE AND LOCAL GOVERNMENTS THROUGH TAX-SHARING. END SUMMARY.

2. RESOURCES POLICY -- "PRIME OBJECTIVE" IS TO "RETURN RESOURCE DEVELOPMENT TO ITS PROPER ROLE IN NATION'S ECONOMY AND RESTORE OVERSEAS USER'S CONFIDENCE IN AUSTRALIAN MINING INDUSTRY'S LONG-TERM RELIABILITY." SPEEDY DEVELOPMENT OF NORTHWEST SHELF OIL AND GAS DEPOSITS TO BE GIVEN "TOP PRIORITY," WORKING IN CONJUNCTION WITH WEST AUSTRALIA GOVERNMENT AND PRIVATE INDUSTRY.

3. FOREIGN TRADE -- GOVERNMENT WILL SEEK TO "ASSURE ITS OVERSEAS TRADING PARTNERS, INCLUDING JAPAN, THAT IT WILL BE A STABLE AND STEADY TRADING PARTNER." THE GOVERNMENT WILL SEEK "RELIABLE ACCESS TO OVERSEAS MARKETS FOR A RANGE OF AUSTRALIAN PRODUCTS" THROUGH "ENERGETICALLY PROMOTING OVERSEAS TRADE." NO DIRECT MENTION MADE OF IMPORT POLICY.

4. ECONOMIC AID -- GOVERNMENT ACKNOWLEDGED "CONTINUED RESPONSIBILITY" FOR PAPUA NEW GUINEA AND SAID IT WOULD CONTINUE A "COMPREHENSIVE PROGRAM" OF COOPERATION AND LIMITED OFFICIAL USE

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DEVELOPMENT.

5. DOMESTIC ECONOMY -- GOVERNMENT STATED "FIRST CONSIDERATION" IS TO BRING INFLATION UNDER CONTROL, AS UNLESS THIS DONE "THERE COULD BE NO RPT NO ADEQUATE EMPLOYMENT OPPORTUNITIES AND NO SOUNDLY-BASED RETURN TO PROSPERITY." EMPHASIS PLACED ON NEED TO REDUCE BUDGET DEFICIT THROUGH ECONOMY MEASURES ALREADY TAKEN OR PLANNED FOR FIRST FRASER

BUDGET TO BE INTRODUCED IN AUGUST. IN SAME CONNECTION, SPEECH ALSO DISCUSSED RECENTLY INTRODUCED MONETARY PACKAGE DESIGNED TO REDUCE EXCESS LIQUIDITY (CANBERRA 0718).

6. EMPHASIS ALSO PLACED ON RECENT ACTIONS TO INCREASE INVESTMENT, SUCH AS THE RECENTLY INTRODUCED 40 PERCENT INVESTMENT ALLOWANCE. GOVERNOR-GENERAL ALSO ANNOUNCED GOVERNMENT DECISION TO SUSPEND THE QUARTERLY COMPANY TAX INSTALLMENTS DUE IN MAY-JUNE AND AUGUST 1976 AND FEBRUARY 1977. PAYMENTS DUE IN FEBRUARY 1976 HAD ALREADY BEEN SUSPENDED. ANNOUNCEMENT MEANS ALL PAYMENTS NORMALLY DUE IN 1976-77 WILL NOT BE PAYABLE UNTIL MAY-JUNE 1977.

7. GOVERNMENT DEFINITELY COMMITTED TO BEGIN TAX INDEXATION IN FORTHCOMING BUDGET, ALTHOUGH IT WARNS THAT THE GREATER THE DEGREE SUPPORT GIVEN ITS ECONOMIC PROGRAM, THE LARGER THE FIRST YEAR'S STEP CAN BE.

8. NO RPT NO MENTION MADE IN SPEECH TO WAGE INDEXATION, ALTHOUGH FRASER MADE COMMITMENT TO PRINCIPLE DURING RECENT CAMPAIGN. GOVERNMENT KNOWN TO FAVOR A REVISED FORM OF CPI WHICH WOULD ELIMINATE EFFECTS OF FEDERAL AND STATE INDIRECT TAXES BEFORE USING IT AS A BSE OF WAGE INDIXATION.

9. GOVERNMENT WILL RETAIN MEDIBANK AND WILL "ENSURE IT OPERATES EFFICIENTLY." NO DIRECT MENTION MADE TO POSSIBLE TAX SURCHARGE TO FINANCE PROGRAM (WHICH IS MAJOR CONTRIBUTOR TO CURRENT DEFICIT) ALTHOUGH THIS POSSIBILITY NOT RULED OUT.

10. "GOVERNMENT SUPPORT FOR INDUSTRY--PRIMARY AS WELL AS SECONDARY--WILL BE BASED ON REPORTS OF THE INDUSTRIES ASSISTANCE COMMISSION (IAC)." THIS STATEMENT IN CONTRAST TO PREVIOUSLY STATED NCP DESIRE REMOVE PRIMARY INDUSTRY LIMITED OFFICIAL USE

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(AGRICULTURE) FROM PURVIEW OF IAC.

11. IN LINE WITH FRASER'S WELL-KNOWN SMALL-DECENTRALIZED-GOVERNMENT IDEAS, SPEECH NOTED THAT ITS "LONG-TERM OBJECTIVE IS TO PREVENT THE GROWTH OF CENTRALIZED BUREAUCRATIC DOMINATION IN AUSTRALIA." KERR ADDED THAT "THERE WILL BE A MAJOR DIRECTION OF RESOURCES AWAY FROM GOVERNMENT TOWARD INDIVIDUALS AND PRIVATE INDUSTRY," AND THROUGH THE ADOPTION OF TAX-SHARING FUNDS AND THUS PROGRAMS WILL BE DIVERTED FROM THE FEDERAL TO STATE AND LOCAL GOVERNMENTS.

12. COMMENT: SPEECH CONTAINED NOTHING THAT WAS REALLY NEW OR UNEXPECTED. ITS HEAVY OVERALL EMPHASIS ON FREE-ENTERPRISE, MONETARIST, SMALL-DECENTRALIZED-GOVERNMENT IDEAS IS PROBABLY MORE SIGNIFICANT THAN THE PRECISE DETAILS OF ITS CONTENT.

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